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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 10, 2002

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

CASE NO. PUE-2001-00072

AUBON WATER COMPANY,
Defendant

ORDER APPROVING EMERGENCY RATES

By Order entered March 1, 2001, in this docket, the State Corporation Commission ("Commission") found that an emergency existed with regard to Aubon Water Company ("Aubon" or "Company") such that the appointment of a Receiver ("Receiver") was necessary. As that Order noted, the Hearing Examiner's Report filed in Case No. PUE-1998-000628¹ stated at page 1-2 that Aubon

continues to provide inadequate water service to its Alton Park customers and that it has failed to comply with the Special Order of the Department of Health to provide adequate quality of drinking water to its Long Island Estates customers. For these reasons, this Commission concludes that an emergency exists.

¹ *Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte: Investigation of Aubon Water Company.*

Effective April 9, 2002, the new Case Management System requires that the case number format for all Commission orders change from, <u>e.g.</u>, PUE010663 to the following: PUE-2001-00663.

Whereupon the Commission appointed a Receiver for the system and endowed the Receiver with authority to take necessary actions as set out in that Order to remedy the emergency conditions.

On March 30, 2001, the Commission extended the appointment of the Receiver, Mr. David G. Petrus, and approved with minor modifications the plan of receivership that Mr. Petrus had submitted.

On September 20, 2001, the Commission entered an Order seeking, as part of the receivership, comment on the transfer of certain Company assets to the Town of Rocky Mount, Virginia, which had agreed to take over the provision of water service to the customers formerly served by Aubon from these assets. The Receiver proposed to acquire certain other assets and continue to provide water service to Aubon's customers himself. The transfer of assets to Rocky Mount was approved by Order dated December 21, 2001.

During this period, the Receiver has been in negotiation with the Virginia Department of Health ("VDH") for funding to make needed repairs to the Long Island Estates system. By letter dated April 9, 2002, the Receiver was notified that such funding as is needed to effect the indicated repairs and replacement of filtering equipment has been approved.

A condition set by the VDH for release of the approved funds is that the Company can demonstrate that it will have

sufficient revenues from the customers served by the Long Island Estates system to amortize the loan. Consequently, by letter dated April 15, 2002, Aubon requested an emergency rate surcharge to customers in the Long Island Estates subdivision, pursuant to § 56-245 of the Code of Virginia. Aubon's petition was supplemented with additional information, including a security bond, submitted to the Divisions of Public Utility Accounting and Energy Regulation on April 23, 2002, and on May 9, 2002. Aubon gave notice of the proposed surcharge to customers in Long Island Estates on April 15, 2002.

The Company's petition recites that its customers "have an immediate need to improve their quality of water, which currently does not meet Virginia State Drinking Water Quality Standards." Further, Aubon noted the Company's "inability to self-finance or secure the loan for the construction of this project." The Company desired to commence construction of the improvement project in May 2002.

The Commission directed the previous owner of Aubon Water Company to install these facilities, by Order entered January 13, 1999, in Case No. PUE-1998-00628. The failure of the prior management of the Company to get these facilities installed led to the appointment of the Receiver. Because of this failure, drinking water at Long Island Estates remains

below health standards. The Commission concludes that the emergency with regard to Long Island Estates continues to exist.

The Commission is satisfied from a review of the papers filed and submitted, and upon advice of the Commission Staff, that the Company requires the Health Department loan to effect the repairs and filter replacement needed to return water at Long Island Estates to acceptable standards and that the requested surcharge is needed to fund the project. The Commission finds that the utility has made a showing "sufficient to demonstrate a reasonable probability that the increase will be justified upon full investigation and hearing" and that such hearing to determine all issues "will require more than ninety days of elapsed time," as we are obligated to do by Code § 56-245.

Accordingly, IT IS ORDERED THAT:

(1) Aubon's request for imposition of a temporary increase in rates is GRANTED, and Aubon shall forthwith implement the emergency rates contained in its petition for customers in the Long Island Estates development.

(2) Aubon shall make a copy of the emergency rates and this Order available for inspection by the public during regular business hours at its designated office where customer bills may be paid.

(3) The Commission Staff shall forthwith investigate the application and file a report of its investigation on or before July 30, 2002, and Aubon shall cooperate fully in the Staff investigation.

(4) This matter is continued for further orders of the Commission.